

Message Text

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TO USMISSION GENEVA

UNCLAS STATE 278148

GENEVA FOR WENDT

FOL LONDON 18874 SENT ACTION SECSTATE BOGOTA ABIDJAN ADDIS
ABABA BRASILIA GUATEMALA JAKARTA KINSHASA MEXICO NAIROBI
QUITO SAN JOSE SAN SALVADOR ANTANANARIVO YAOUNDE BONN BERN
BRUSSELS HELSINKI PARIS ROME THE HAGUE WELLINGTON NOV 17, 1977
REPEATED TO YOU QUOTE

UNCLAS LONDON 18874

USEEC ALSO FOR EMBASSY

FOR: EB/TRP

E.O. 11652: N/A
TAGS: ETRD, EAGR, ICO, EPAP
SUBJECT: COFFEE: PRESS RELEASE

1. FOLLOWING IS THE TEXT OF A PRESS RELEASE ISSUED
NOVEMBER 15 BY THE COFFEE PRODUCING COUNTRIES WHICH MET
IN LONDON PRIOR TO MEETING OF ICO EXECUTIVE BOARD.
EXECUTIVE BOARD DISCUSSION OF THIS RELEASE WILL BE
REPORTED BY SEPTEL.

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BEGIN TEXT.

"THE FOLLOWING COFFEE PRODUCING COUNTRIES MET IN LONDON
ON NOVEMBER 14 AND 15:

ANGOLA	GUATEMALA	OAMCAF
BRAZIL	HONDURAS	PERU
COLOMBIA	INDIA	TANZANIA
COSTA RICA	INDONESIA	UGANDA

DOMINICAN REPUBLIC KENYA VENEZUELA
ECUADOR MEXICO
EL SALVADOR NICARAGUA

THESE COUNTRIES CAREFULLY EXAMINED THE SUPPLY OF COFFEE FOR THE COMING MONTHS, AND TAKING INTO ACCOUNT EXPECTED TRENDS IN DEMAND CONCLUDED THAT THE AVAILABILITY OF COFFEE WILL REMAIN VERY LOW.

SUCH COUNTRIES NOTED WITH CONCERN THAT, DUE TO THE LOW PRICES THEN PREVAILING, EXPORTABLE PRODUCTION IN THE LAST 12 YEARS, WITH THE EXCEPTION OF A SINGLE YEAR, WAS INSUFFICIENT TO COVER WORLD IMPORT NEEDS, THUS REQUIRING THE USE DURING THAT PERIOD, OF SOME 64 MILLION BAGS OF STOCKS. THE VIRTUAL EXHAUSTION OF STRATEGIC RESERVES POSES A GREAT DANGER THAT NATURAL DISASTERS OR OTHER CIRCUMSTANCES MAY CAUSE AN EXTREME SCARCITY OF COFFEE IN THE NEAR FUTURE.

COFFEE EXPORT EARNINGS REPRESENT, TO ALL PRODUCING COUNTRIES, AN ESSENTIAL INSTRUMENT FOR MEETING THEIR IMPORT NEEDS AND THUS ACHIEVING ECONOMIC AND SOCIAL DEVELOPMENT. THEREFORE, SUCH COUNTRIES FIND IT INDISPENSABLE THAT COFFEE PRICES SHOULD ENSURE ADEQUATE EARNINGS FOR THOSE COUNTRIES AND ADEQUATE REMUNERATION FOR THEIR DOMESTIC PRODUCERS, TAKING INTO CONSIDERATION, AMONG OTHER FACTORS, THE GROWING COST OF THE AGRICULTURAL INPUTS IMPORTED FROM HIGHLY INDUSTRIALISED NATIONS. NEVERTHELESS, HAVING A VITAL INTEREST IN THE EXPANSION
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OF THE DEMAND FOR COFFEE, PRODUCING COUNTRIES DO NOT SEEK ARTIFICIALLY HIGH PRICES WHICH COULD HARM WORLD CONSUMPTION.

ON THE OTHER HAND, PRODUCING COUNTRIES ARE INTENT ON AVOIDING SPECULATION AND SUDDEN FLUCTUATIONS IN PRICES, WHICH ADVERSELY AFFECT BOTH EXPORTERS AND THE COFFEE INDUSTRY IN IMPORTING COUNTRIES.

IN THE LIGHT OF THESE CONSIDERATIONS, THE PRODUCING COUNTRIES WHICH HAVE MET IN LONDON HAVE DECIDED TO MAINTAIN A SYSTEM FOR EXCHANGING INFORMATION, WITH A VIEW TO ENSURING THE ORDERLY SUPPLY OF COFFEE TO IMPORTING MARKETS AT REMUNERATIVE PRICE LEVELS, IN A WAY WHICH WOULD BE CONSISTENT WITH THE OBJECTIVES SET FORTH IN ARTICLE 1 OF THE INTERNATIONAL COFFEE AGREEMENT. FURTHERMORE, WISHING TO STRENGTHEN COOPERATION BETWEEN EXPORTING AND IMPORTING NATIONS, THESE COUNTRIES INTEND TO PRESS, WITHIN THE FRAMEWORK OF THE INTERNATIONAL COFFEE ORGANIZATION, FOR AN URGENT SOLUTION TO THE QUESTIONS RELATING TO PRICES AND OTHER ECONOMIC PROVISIONS IN THE INTERNATIONAL AGREEMENT OF 1976, AS WELL AS FOR THE CREATION OF A STABILISATION FUND TO FINANCE THE BUILDING UP OF STOCKS, TO BE USED IN ORDER TO PRE-

VENT THE RECURRENCE OF SUCH A SITUATION AS THE COFFEE
WORLD HAS BEEN EXPERIENCING SINCE 1975."
END TEXT.

2. COMMENT: FINANCIAL TIMES OF NOVEMBER 17 REPORTED ON
PRESS RELEASE AS FOLLOWS:
BEGIN QUOTE.

"COFFEE PRODUCERS APPEAR TO BE RETREATING SOMEWHAT FROM
THEIR RECENT CAMPAIGN TO FORCE UP WORLD PRICES. AT AN
INTERNATIONAL COFFEE ORGANIZATION (ICO) MEETING IN LONDON
YESTERDAY, EXPORTING NATIONS TOLD DELEGATES FROM IMPORT-
ING COUNTRIES THAT THEY HAVE NOT AGREED TO LIMIT SUPPLIES
TO THE WORLD MARKET IN THE FIRST HALF OF NEXT YEAR, AS
HAD BEEN WIDELY RUMOURED.
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THIS MORE CONCILIATORY ATTITUDE - A MARKED CHANGE FROM
THE RECENT STREAM OF "BULLISH" PROPAGANDA EMANATING FROM
PRODUCER SOURCES - IS SEEN AS A RESPONSE TO FEARS THAT
THE U.S. MIGHT BE FORCED TO WITHDRAW FROM THE INTERNAT-
IONAL COFFEE AGREEMENT BECAUSE OF THE POLITICAL SENSITI-
VITY OF THE COFFEE PRICE ISSUE.

THE RECENT SPATE OF PRODUCER THREATS TO WITHOLD COFFEE
UNTIL PRICES "IMPROVE" HAD BEEN RECEIVED BY THE COFFEE
TRADE WITH CONSIDERABLE SCEPTICISM AND HAD HAD ONLY A
LIMITED EFFECT ON PRICES. SO THE MARKET'S RESPONSE TO
THE SOFTER PRODUCER LINE WAS SIMILARLY MUTED. COFFEE
FUTURES PRICES FELL ON THE LONDON TERMINAL MARKET
YESTERDAY BUT THIS WAS ATTRIBUTED TO A GENERALLY "SLOPPY"
MARKET TONE RATHER THAN TO THE PRODUCERS' STATEMENT.
MARKET RUMOURS CIRCULATING ON MONDAY SAID PRODUCERS
PLANNED TO RESTRICT SALES IN THE FIRST HALF OF 1978 TO
24M. BAGS (60 KILOS EACH), 20 PER CENT BELOW THE NORMAL
LEVEL. SOME PRODUCERS ADMITTED THAT SUCH A LIMITATION
WAS AMONG THE PROPOSALS DISCUSSED BUT THEY POINTED OUT
THAT SUCH A POLICY WOULD ONLY BE FEASIBLE FOR THE MAJOR
EXPORTERS AND WOULD, IN ANY CASE, MEAN VERY LITTLE
SINCE LESS COFFEE THAN NORMAL WILL BE AVAILABLE DURING
THE PERIOD IN QUESTION.

THE PRODUCERS CLAIMED YESTERDAY THAT THEIR TALKS WERE
AIMED AT ENSURING A STEADY FLOW OF EXPORTS FOR THE BENE-
FIT OF BOTH PRODUCERS AND CONSUMERS. THEY SAID THIS
COULD HAVE BEEN INACCURATELY INTERPRETED AS MEANING THAT
THEY WERE SEEKING TO IMPOSE EXPORT QUOTAS."
END QUOTE.

BREWSTER UNQUOTE VANCE

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